

# Appointment and Remuneration of Directors for Council Organisations

Adopted: 19 June 2003

Last updated: 20 August 2025

## Purpose

The purpose of this policy is to set out, in accordance with section 57(1) of the Local Government Act 2002 (LGA), an objective and transparent process for the:

- identification and consideration of the skills, knowledge and experience required of directors of a council organisation
- appointment of directors to a council organisation
- remuneration of directors of a council organisation

## Policy Objectives

The objectives of this policy are to ensure:

- that the process of appointing board members to Council Controlled Organisations (CCO) or Council-controlled trading organisation (CCTO) of FNDC is undertaken in an objective and transparent manner, while protecting individual privacy.
- that board appointments:
  - are made based on an assessment of skills, knowledge and experience, having regard to the nature of scope of the organisation's objectives and activities.
  - consider the contribution that directors can make to the board as a whole and to the achievement of the organisation's objectives and activities.
  - consider the context in which council, as a publicly accountable body operates.
- continuity through smooth succession of board members and board chairs.

## Other relevant legislation

In addition to this policy, the appointment and re-appointment of directors to Council Organisations are governed by their respective constitutions, trust deeds or, in some cases specific legislation. In the event of a conflict, the regulatory requirements of those documents take precedence over this policy.

Refer end of document for specific reference to relevant legislation and governing agency documentation.

## Definitions

The following definitions apply to this Policy:

- **"Candidate"** is a person who has been nominated, submitted a written application or identified through search activities.
- **"Council Organisation"** is defined in section 6 of the LGA as an organisation in which the council has a voting interest or the right to appoint a director, trustee or manager (however described).
- **"Council Controlled Organisation"** is defined in section 6 of the LGA in which the council controls, directly or indirectly, 50% or more of the votes or has the right, directly or indirectly, to appoint 50% or more of the directors.

- **“Council-controlled trading organisation”** is a council-controlled trading organisation (CCTO) is defined in Section 6 of the LGA as a CCO that operates a trading undertaking for the purpose of making a profit.
- **“Committee”** - For the purpose of this policy the term Committee refers to the Committee of the governing body of Far North District Council which has been delegated responsibility for making appointments to CCOs, CCTOs and COs. For avoidance of doubt, in the event that the governing body chooses not to delegate this responsibility, the term Committee refers to the governing body of Far North District Council.

## Board Diversity and Inclusion

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Far North District Council (FNDC) values and supports the benefits that diversity of thought, experience and skills bring to our CCO/CCTO boards as well as the council as a whole; that a culture of inclusion and diversity is cultivated through clear tone from the top, with the Council and elected members, SLT and boards championing diversity and inclusion in support of FNDC’s values.

FNDC recognises that increasing diversity and fostering inclusive board culture is an essential element in supporting high performing boards, driving long-term success, making improved decisions, and delivering better outcomes for the communities of the Far North District.

A CCO/CCTO board should include diverse members with relevant skills, knowledge, and experience. This diversity ensures robust decision-making through the challenge and testing of ideas in pursuit of the organisations objectives.

All board appointments must collectively reflect the diverse nature of the environment in which FNDC and its CCO/CCTOs operates and be made on merit in the context of the skills, knowledge, and experience which the board requires to be effective.

FNDC is committed to supporting and/or providing initiatives:

- that lead to an inclusive recruitment and selection process of board appointments.
- support a diverse range of aspiring directors to develop skills, knowledge, boardroom experience and to establish relationships and networks; and
- build a diverse pool of experienced directors for Far North District organisations

## Policies

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### 1. Eligibility

Council can consider any person as eligible to be a Director/Board Member provided that:

- they have not been previously disqualified from being a director or board member within New Zealand.
- they have not been convicted of a crime involving dishonesty.
- they are not an undischarged bankrupt.
- they are not a current employee of the Council.
- they have not been disqualified from being appointed or holding office as a director of a company under section 151(2) of the Companies Act 1993.

### 2. Skills

The council considers that any person that it appoints to be a director of a CO should, as a minimum, have the following characteristics:

- sound judgement and decision-making.
- a public service ethos.

- a high standard of personal integrity.
- commercial and governance experience.
- clear communication skills and an ability to debate in a reasoned manner.
- the ability to build and maintain relationships.
- effective teamwork and collaboration.
- ability to think strategically.
- risk assessment and contingency management.
- commitment to the principles of good corporate citizenship.
- understanding of the wider interests of the Council, as a publicly accountable shareholder.
- good grasp of the Companies Act 1993
- financial literacy
- industry knowledge

### 3. Appointments Committee

As soon as practicable after each local body triennial election, or as otherwise required, the Council will establish an Appointments Committee for the purpose of recommending the appointment of directors to CCO/CCTOs. The members of the committee will comprise the chairperson of the CCO board, an external commercial advisor (or similar) with relevant experience and knowledge, and up to two other members nominated by the Council. These members would ideally be Councillors with an interest in CCO/CCTO's and one of these appointees would be appointed as the Chair of the Appointments Committee.

An appointments committee member cannot be appointed as a director of a council organisation or if such an opportunity arises must remove themselves from the appointments committee prior to making an application.

Any recommendation made must be the unanimous decision of the committee.

### 4. Appointment Process

Subject to any applicable regulations, the steps below outline the appointment process:

- 1. Strategic Review and Needs Assessment**
  - Strategic Review of the Organisations Objectives
  - Future Skill Requirements
  - Current Skill Profile
  - Succession Planning
- 2. Committee approves Skills and Competencies**
- 3. Candidate Search**
  - Advertising and Screening for candidates
  - Evaluates the Long-List of potential applicants/candidates
  - Committee selects and approves a Short-List of candidates that meet the criteria and skills set
- 4. Candidate's Declaration of Interests**
  - Financial and Non-Financial interests must be declared by all candidates
- 5. Committee Interviews Short-listed Candidates**
- 6. Committee Selects Preferred Candidate**
- 7. Committee Performs Due Diligence**
  - Track Record
  - References
  - Verification Checks
  - Consideration of the management of conflicts
- 8. Committee Recommends to Council Preferred Candidate for Appointment**
- 9. Council Approves Appointment**
- 10. Letter of Appointment Issued**

#### 11. Candidate must formally accept in writing an appointment

Once a vacancy has been established, the Committee will identify the specific skills, knowledge and experience required for the position with the assistance of CCO Governance and External Partnerships. The identification of skills, knowledge, and experience may involve discussions with the Chair of the CCO, a strategic review of current and future requirements and consideration of the current composition of the board.

The Appointments Committee will prepare a list of possible candidates to be interviewed. In preparing the list, the committee will use several resources including, but not limited to - public advertising, personal recommendations, and referrals, identifying individuals with the required skills and competencies.

The Appointments Committee will be responsible for:

- approving the criteria against which applications will be assessed.
- approving an independent recruitment consultant to assist with the selection process, if it decides it is warranted.
- preparing a shortlist of candidates to interview.
- interviewing the shortlisted candidates and evaluating them against the approved criteria; and
- reporting on its assessment of each candidate against its criteria and recommending appointments of directors to Council.

When making this decision the committee will also consider:

- The costs of any advertisement and process
- The availability of qualified candidates
- The urgency of the appointment (e.g. a CO that is without a quorum cannot hold board meetings).

The Appointments Committee will report to the Council on the outcome of the appointments process and the committee's recommendations. The Council will be the final decision-maker.

The Council expects all participants in the appointment process to undertake the work required of them in a timely manner.

#### 5. Final Appointment

The decision as to the appointment will be made at a full Council meeting. Reports recommending appointments and the Council's final decision will be considered in a publicly excluded portion of a Council meeting to protect candidate privacy.

A public announcement of the appointment will be made as soon as practicable after council has made its decision and received written confirmation of acceptance from the candidate.

**Note:** If an elected member is under consideration to fill a particular vacancy, that elected member must remove themselves from Council Chambers, cannot take part in the discussion or vote on it or any other proposed appointees being considered for the same board at the same meeting.

#### 6. Reappointment

Where a director's term of appointment has expired and he or she is offering themselves for reappointment, the Appointments Committee will consult with the Chairperson of the CO with regard to:

- Whether the skills, knowledge, and experience of the incumbent add value to the work of the organisation
- Whether there are other skills the organisation needs
- The Director's length of tenure
- Succession planning

The Committee will then consider the information obtained and form a view on the appropriateness of reappointment or making a replacement appointment. The outcome of the review will be advised to Council, who will make the final decision in relation to re-appointment if appropriate.

Council may reappoint an existing director for a further term without activating the formal appointment process. Where it is not intended to reappoint the incumbent, the appointment process outlined above (4) will apply.

## **7. Removal of Directors**

Council has the right to remove a Director if:

- The Director becomes an undischarged bankrupt
- The Director is convicted of a crime involving dishonesty
- The Director is prohibited from managing a company by the Registrar of Companies
- The Director is not acting in good faith.
- The Director is unable to perform the duties as a Director

Should it be necessary to remove a Director the default process in the Companies Act 1993 would be followed unless the company constitution specifies a different process.

## **8. Length of Tenure**

The Directorship shall be reviewed for appropriateness by the board of the relevant organisation each year. A statement advising that the review has been completed will be included in the Annual Report of the Company.

All appointments will specify the intended term of the appointment. Board members normally serve a maximum of two 3-year terms, with the option of further reappointment if there is good reason.

Upon expiry of the term of the appointment the Director shall retire from the council organisation and, subject to the board members' performance and skills continuing to be relevant to the board may be eligible for reappointment.

A director who is retiring from their first term, deemed eligible for reappointment and who wishes to stand, may, at the sole discretion of the Council, be reappointed for a further term.

Regular director rotation is encouraged, but terms in aggregate exceeding 6 years is allowable subject to the appropriateness of the candidate. The Council recognises that directors often have valuable institutional knowledge that organisations need to retain.

The board shall develop and maintain:

- a skills and corporate knowledge matrix, identifying the skills currently represented by the board and clearly identifying those that need to be considered by a future appointment.
- A succession plan to ensure that the tenure of Directors is reviewed in line with this policy

The above is to be discussed and reviewed with the Shareholder at least once a year.

## **9. Appointment of a Chairperson**

The Chair of each CCO/CCTO board will be appointed by the Board.

In general terms, the skills and attributes sought for CCO/CCTO Chairs are the same as those sought for Directors but in addition would include the following:

- strong leadership skills, with the ability to work collaboratively with the board to create a sustainable enterprise.
- ability to think in a visionary and strategic manner.
- have a strong understanding of, and experience in, governance; and

- ability to ensure that the organisation is accountable and delivers high quality products, facilities, and services.

## 10. Conflicts of Interest

All relevant interests should be declared during the assessment stage, so that the potential for a conflict of interest can be assessed in advance of an appointment being made. Further guidance on the management of interests and conflicts can be found on the Office of the Auditor-General web site: Managing conflicts of interest: Guidance for public entities, refer [www.oag.govt.nz/2007/conflicts-public-entities](http://www.oag.govt.nz/2007/conflicts-public-entities)

Far North District Council expects that directors of CCO/CCTOs will avoid situations where their actions could give rise to a conflict of interest. To minimise these situations, the council requires directors to follow the provisions of the New Zealand Institute of Directors' Code of Ethics. All directors are appointed 'at the pleasure of the council' and may be dismissed for breaches of this code.

An Elected Member director must pay particular attention to conflicts that arise in carrying the dual role of Director of a Council organisation and the role of Councillor for the Far North District Council. Conflicts are expected to be carefully managed by the Councillor.

## 11. Remuneration

Far North District Council will decide whether directors on CCO/CCTO boards are to be remunerated. The level of remuneration of directors will be set by Council in accordance with the factors below.

To ensure transparency, fees will be set by the Council for the board members and Chairs, rather than allocating a pool to be distributed by the board. Fees are to be met from the council organisation's own resources.

The council supports the payments by CCO/CCTOs of directors' liability insurance and the indemnification of directors.

### Level of remuneration

Where CCO/CCTO directors are remunerated, the level of remuneration will be set taking into account the following factors:

- the need to attract and retain appropriately qualified directors
- the levels of remuneration paid by comparable organisations in New Zealand
- any changes in the nature of the CCO's business
- number and type of positions held by any appointed director
- any other relevant factors.

Remuneration of directors of all CCOs will be reviewed at least once per triennium, or whenever the performance of the CCO or the role of the CCO and its board changes significantly.

## 12. Appointment, Tenure & Remuneration of Elected Members to CCO / CCTO Boards

CCO or CCTO boards comprised of five directors will have a designated elected member position, unless otherwise determined by Council. CCO or CCTO boards comprised of eight or more directors can have up to three designated elected member positions. Elected member composition on any board cannot make up the majority of director positions at any one time.

Elected Members can apply to be a director of a CCO/CCTO. Such appointments will be made in accordance with this policy.

The appointment of elected members as directors are bound by the following:

- Elected Members are subject to the same process as independent director applicants. Application must be made and considered following the process governed by this policy (specifically parts 1 – 7, 10, 11).
- Unless otherwise specified the appointment of an elected member to a CCO/CCTO will terminate at the earlier time of; when the position is refilled following the triennial election OR 31 December of the year of the triennial election.

- Elected members can be appointed for no longer than two terms (or six years) to any one board, unless Council agrees there are exceptional circumstances.
- Elected members will not be eligible for the role of Chair, except in the case of temporary appointments if no other director is available or willing to accept that role.
- All elected member directors must use their skills, knowledge and experience to guide the organisation and contribute to the achievement of the organisation's objectives, including those outlined in its Statement of Intent, and undertake their legal duties as directors as required by the Companies Act 1993 and by the relevant constitution or trust deed.
- An elected member will not be eligible for appointment as a director on a CCO of CCTO board in their capacity as an individual for a period of 12 months following the end of their term as an elected member.

## Monitoring and Review

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This Policy is to be reviewed by the Assurance, Risk and Finance Committee provided this is a delegated function of the Committee. If Council does not provide for this delegation at each triennium then the policy will be reviewed by Council.

The policy will be reviewed:

- Every three years or
- At the request of the Chair of the Assurance, Risk and Finance Committee or
- At the request of the Board of the CCO
- In response to a change in legislation or statutory requirements.

## Relevant Legislation, Policies and Procedures

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<b>Legislation, agency references</b>	<p>Local Government Act 2002, part 5</p> <p>Company Constitution</p> <p>Companies Act 1993, part 5, 8</p> <p>Auditor-General's Guidelines as set out in "Governance and accountability of council-controlled organisations" dated September 2015 - <a href="#">Overview — Office of the Auditor-General New Zealand</a></p> <p>New Zealand Institute of Directors Manual - <a href="#">150115-A-directors-guide-brochure.pdf</a></p> <p><a href="#">Privacy Act 2020</a></p>
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